

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EA-07 ISO-00 L-03 DLOS-04 DOTE-00 FMC-01

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02

INR-07 INT-05 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 FEA-01 /099 W
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R 190742Z AUG 75

FM AMEMBASSY SINGAPORE

TO SECSTATE WASHDC 3308

AMEMBASSY JAKARTA

AMEMBASSY PANAMA

INFO AMEMBASSY KUALA LUMPUR

LIMITED OFFICIAL USE SINGAPORE 3576

E.O. 11652: N/A

TAGS: EWWT, ID, SN, PN

SUBJ: CARGO SHARING AGREEMENT BETWEEN SINGAPORE AND INDONESIA

REF: A. PANAMA 3825; B. PANAMA 4658; C. STATE 180014; D. STATE
181151; E. JAKARTA 9724

SUMMARY. SINGAPORE AND INDONESIAN SHIPPERS SIGNED CARGO SHARING
AGREEMENT JULY 15. GOS APPEARS TO REGARD AGREEMENT AS PURELY
PRIVATE ONE. UNCERTAIN WHETHER GOI WILL INTERPRET AGREEMENT TO
EXTEND TO US CARRIERS ON INTERNATIONAL ROUTES. END SUMMARY.

1. CULMINATING A SERIES OF TALKS WHICH GO BACK TO 1967, THE
CHAIRMAN OF INDONESIAN NATIONAL SHIPOWNER'S ASSOCIATION (INSA)
AND SINGAPORE SHIPPING ASSOCIATION (SSA) MEETING IN SINGAPORE
ON JULY 15, SIGNED A "BASIC AGREEMENT ON SHIPPING AAND MARITIME
MATTERS". SIGNING WAS WITNESSED BY GOI DIRECTOR GENERAL OF
SEA COMMUNICATIONS, REAR ADMIRAL HARYONO NIMPUNO. NO REPEAT NO
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GOS OFFICIAL PRESENT.

2. THE KEY PROVISION OF THE AGREEMENT WAS THE ARTICLE ON CARGO-SHARING. FOR CARGO FROM INDONESIA TO SINGAPORE, INSA MEMBER LINES ARE ENTITLED TO 55 PERCENT, SSA MEMBER LINES TO 45 PERCENT. FOR CARGO FROM SINGAPORE TO INDONESIA, THE REVERSE IS TRUE; 55 PERCENT ENTITLEMENT BY SSA MEMBER LINES, 45 PERCENT BY INSA MEMBER LINES.

3. AGREEMENT ALSO WAS REACHED ON FREIGHT RATES AND A REGULATORY MECHANISM.

4. IMPORTANT TO NOTE THAT "CARGO" AS DEFINED IN AGREEMENT SPECIFICALLY EXCLUDES EQUIPMENT, MATERIALS, SUPPLIES AND COMMODITIES BELONGING TO GOI DEVELOPMENT PROJECTS OR USED IN CONNECTION WITH OFFSHORE EXTRACTING INDUSTRIES. PERTAMINE CARGO, FOR EXAMPLE, WOULD PRESUMABLY NOT BE INCLUDED IN CARGO-SHARING AGREEMENT.

5. GOS DEPARTMENT OF TRADE OFFICIAL RESPONSIBLE FOR SHIPPING MATTERS, FOO JU HWAI, WHEN CONTACTED DENIED REFTEL D AND STRAITS TIME REPORT THAT THE AGREEMENT HAD BEEN SUBMITTED TO GOS FOR ITS APPROVAL. ACCORDING TO FOO, SINGAPORE REGARDS AGREEMENT AS "PURELY PRIVATE" ONE BETWEEN SHIPPING ASSOCIATIONS. GOS THEREFORE PLANS NEITHER TO ENFORCE NOR INHIBIT AGREEMENT. FOO THOUGHT THAT GOI ON OTHER HAND REGARDED THE AGREEMENT AS A MEANS OF MORE CLOSELY REGULATING WHAT IT CONSIDERS TO BE COASTAL SHIPPING, AND WOULD ENFORCE AGREEMENT THROUGH ISSUANCE OF SAILING PERMITS TO/FROM INDONESIAN PORTS.

6. IMPLICATIONS: SINGAPORE OFFICES OF US SHIPPING COMPANIES ARE UNCERTAIN IF AND HOW THIS AGREEMENT WILL AFFECT THEIR OPERATIONS. TWO MAJOR US LINES OPERATING BETWEEN SINGAPORE AND INDONESIA ARE AMERICAN PRESIDENT LINES (APL) AND STATES LINES.

7. APL FOR OVER A YEAR HAS VOLUNTARILY REFRAINED FROM SHIPPING BETWEEN SINGAPORE AND JAKARTA, IN RETURN FOR GOI ACCEPTANCE OF APL'S INDONESIA TO US CONTAINER OPERATION. APL REPRESENTATIVE IN SINGAPORE FEELS THAT HISTORICALLY SINGAPORE-INDONESIA TRADE HAS BEEN OF LITTLE INTEREST TO US SHIPPERS BECAUSE OF THE SHORT HAULS RELATIVE TO LONG LOADING AND WAITING TIMES IN PORT. LIMITED OFFICIAL USE

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ECONOMICS OF SITUATION COULD CHANGE SOMEWHAT OVER TIME, HOWEVER, WITH THE ADVENT OF MORE CONTAINERIZATION IN INDONESIA. HOWEVER, AT THIS TIME APL HAS NO PLANS FOR ENGAGING IN SINGAPORE-INDONESIA TRADE.

8. STATES LINES IS JUST BEGINNING SERVICE IN SOUTHEAST ASIA. IT IS A BULK, NOT CONTAINER, OPERATION. ERIC KHOO, MANAGER OF SIME DARBY SHIPPING, SINGAPORE AGENT FOR STATES LINES, IS OF

OPINION THAT SSA-INSA CARGO-SHARING AGREEMENT IS NOT MEANT TO PRECLUDE SHIPMENTS TO AND FROM INDONESIA BY CARRIERS ON INTERNATIONAL ROUTES. KHOO ACKNOWLEDGED, HOWEVER, THAT THIS IS A "GREY" AREA; LANGUAGE OF AGREEMENT IS SWEEPING, AND INDONESIAN INTERPRETATION OF AGREEMENT COULD DIFFER FROM HIS OWN. STATES LINES INTENDS TO TRY TO SHIP CARGO FROM SINGAPORE TO INDONESIA, BUT FEELS FREIGHT INVOLVED WILL BE VERY MINOR.

9. FROM THE AGREEMENT SINGAPORE SHIPPERS WILL GAIN EASIER ACCESS TO INDONESIAN COASTAL PORTS WHILE INDONESIANS WILL GET A GUARANTEED PERCENTAGE OF TRADE. SINCE A LARGE NUMBER OF VESSELS ENGAGED IN COASTAL TRADE USE PANAMA FLAG OF CONVENIENCE, AND AGREEMENT RESTRICTS CARGO-SHARING TO SINGAPOREAN AND INDONESIAN FLAG VESSELS, COMPANIES WITH PANAMANIAN FLAG SHIPS SUCH AS GUAN GUAN AND KIE HOCK MUST NOW ON SHORT NOTICE ARRANGE FOR NEW FLAG OR LOSE THEIR SHARE OF SINGAPORE-INDONESIAN TRADE. SUBSTANTIAL NUMBER OF SHIPS WILL BE THUS AFFECTED.

10. COPY OF TEXT OF AGREEMENT BEING SENT TO ACTION ADDRESSEES.
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